

ORIGINAL

NEW NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

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AZ CORP COMMISSION
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In the matter of:

CHRIS HUGH RUTLAND
(CRD #1898966)
4781 West Ferret Drive
Tucson, Arizona 85742

Respondent.

DOCKET NO. S-03545A-03-0000

NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER OF REVOCATION AND FOR
OTHER AFFIRMATIVE ACTION

NOTICE: RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that facts exist which warrant revocation of RESPONDENT'S registration as a securities salesman in Arizona, and that RESPONDENT has engaged in acts, practices and transactions, which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENT

2. Chris Hugh Rutland ("Rutland") has been a registered securities salesman in Arizona. From May 6, 1997 to June 1, 2001, Rutland was registered in Arizona and associated with Northeast Securities, Inc., based in Mitchelfield, New York ("Northeast"). On June 1, 2001, Rutland was permitted to resign from Northeast, and since that time he has not been associated with a dealer.

1 Rutland was also employed by Jaron Equities Corporation of Hicksville, New York ("Jaron") from
2 October 1995 to February 1997, before being registered in Arizona. Rutland's last known address is
3 4781 West Ferret Drive, Tucson, Arizona 85742.

4 III.

5 FACTS

6 3. Effective March 12, 2003, the National Association of Securities Dealers ("NASD")
7 entered an order in NASD Docket/Case Number 8210-3A020005 barring Rutland from any
8 association with any NASD member in any capacity.

9 4. The NASD took that action because Rutland had failed to respond to an NASD
10 request for documents and/or information pursuant to a suspension notice issued in September 2002.
11 The suspension resulted from a complaint the NASD received on July 20, 2001, from an elderly
12 woman who lived in the northeastern United States.

13 5. The NASD is a self-regulatory organization ("SRO") in the securities industry; it is
14 registered as an SRO under the Securities Exchange Act of 1934. Accordingly, Rutland is "subject
15 to an order of ... an SRO ... revoking membership or registration as a broker" as specified in
16 A.R.S. § 44-1962(A)(8).

17 6. In a separate action arising from the same facts as the above-described complaint, a
18 federal grand jury in the District of New Jersey indicted Rutland for Conspiracy to Defraud.
19 Following a trial in the District of New Jersey, a jury convicted Rutland in March 2003. He was
20 sentenced to fifty one (51) months in federal prison and three years of supervised release, was
21 ordered to pay restitution to the individual victim in the amount of \$553,867.72, and was ordered to
22 have no further involvement in the financial advising business.

23 7. The Division conducted an investigation which revealed that Rutland, along with a
24 co-conspirator who was also convicted, conspired to defraud an elderly New Jersey/New York
25 woman of money and property by means of materially false pretenses, representations, and
26 promises, through the use of mail and electronic fraud, which resulted in the takeover and control

1 of the victim's bank accounts and investments. Rutland, acting as the victim's investment advisor,
2 gained access to her assets, in the process putting himself in a position to prepare her tax returns
3 for the years 1996 through 2000. Rutland liquidated the victim's assets, placed them into
4 annuities and money market accounts, and submitted false documents changing asset ownership to
5 the co-conspirator, who systematically withdrew the funds for the benefit of Rutland and the co-
6 conspirator, to the point where the victim's funds were nearly or entirely depleted.

7 8. The conspiracy began in or about 1991 and continued through or about May 2001.
8 The conspiracy included assets the victim owned in both insurance and securities accounts.
9 Sixteen overt acts outlined in the indictment essentially resulted in the co-conspirators depleting
10 the victim's various investment accounts. One specific overt act alleges that Rutland, presumably
11 after the conspiracy was exposed, claimed not to know his co-conspirator, and blamed clerical
12 errors for the appearance of the co-conspirator's name on the victim's accounts.

13 IV.

14 REVOCATION PURSUANT TO A.R.S. § 44-1962

15 (Denial, Revocation or Suspension of registration of Salesman)

16 9. The facts alleged above constitute grounds to revoke Rutland's registration as a
17 securities salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, Rutland:

18 a) Is subject to an order of an SRO revoking his membership or registration as a
19 broker, as specified in A.R.S. § 44-1962(A)(8);

20 b) Lacks integrity or is not of good business reputation, as specified in A.R.S.
21 § 44-1962(A)(4);

22 c) Has engaged in dishonest or unethical practices in the securities industry, as
23 specified in A.R.S. § 44-1962(A)(10); and/or

24 d) Has been convicted within ten years preceding the date of filing the
25 application for registration as a salesman, or at anytime thereafter, of a felony or
26 misdemeanor involving a transaction in securities, of which fraud is an essential element or

1 arising out of the conduct of any business in securities, as specified in A.R.S.
2 § 44-1962(A)(6).

3 V.

4 **REQUESTED RELIEF**

5 The Division requests that the Commission grant the following relief against Rutland:

- 6 1. Order the revocation of Rutland's registration as a securities salesman pursuant to
7 A.R.S. § 44-1962; and
8 2. Order any other relief that the Commission deems appropriate.

9 VI.

10 **HEARING OPPORTUNITY**

11 RESPONDENT may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

12 **If any RESPONDENT requests a hearing, the RESPONDENT must also answer this Notice.**

13 A request for hearing must be in writing and received by the Commission within 10 business days
14 after service of this Notice of Opportunity for Hearing. Rutland must deliver or mail the request to
15 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007.
16 A Docket Control cover sheet must accompany the request. A cover sheet form and instructions may
17 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
18 at www.cc.state.az.us/utility/forms/index.htm.

19 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
20 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
21 parties, or ordered by the Commission. If a request for a hearing is not timely made, the Commission
22 may, without a hearing, enter an order against each RESPONDENT granting the relief requested by
23 the Division in this Notice of Opportunity for Hearing.

24 Persons with a disability may request a reasonable accommodation such as a sign language
25 interpreter, as well as request this document in an alternative format, by contacting Yvonne L.
26 McFarlin, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-

1 mail ymcfarlin@cc.state.az.us. Requests should be made as early as possible to allow time to
2 arrange the accommodation.

3 **VII.**

4 **ANSWER REQUIREMENT**

5 Pursuant to A.A.C. R14-4-305, if RESPONDENT requests a hearing, RESPONDENT must
6 deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona
7 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days
8 after the date of service of this Notice of Opportunity for Hearing. A Docket Control cover sheet
9 must accompany the Answer. A cover sheet form and instructions may be obtained from
10 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
11 www.cc.state.az.us/utility/forms/index.htm.

12 Additionally, RESPONDENT must serve the Answer upon the Division. Pursuant to
13 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
14 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
15 addressed to Kathleen Coughenour DeLaRosa.

16 The Answer shall contain an admission or denial of each allegation in this Notice and the
17 original signature of each RESPONDENT or RESPONDENT'S attorney. A statement of a lack of
18 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
19 not denied shall be considered admitted.

20 When RESPONDENT intends in good faith to deny only a part or a qualification of an
21 allegation, RESPONDENT shall specify that part or qualification of the allegation and shall admit
22 the remainder. RESPONDENT waives any affirmative defense not raised in the answer.

23 ...

24 ...

25 ...

26 ...

1 The officer presiding over the hearing may grant relief from the requirement to file an
2 Answer for good cause shown.

3 DATED this 14th day of October, 2003.

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5 _____
6 LeRoy Johnson
7 Acting Assistant Director of Securities

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NEW APPLICATION

Memorandum

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AZ CORP COMMISSION
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DATE: October 14, 2003
TO: Nancy Cole
Docket Control
FROM: Matthew J. Neubert
Securities Division
RE: Chris Hugh Rutland
Docket No. S-03545A-03-0000
Assigned Staff
CC: LaShunda Duty

This is to notify you that the following individuals have been assigned to the above-mentioned case.

☒ Matthew Neubert
☒ LeRoy Johnson

Kathleen DeLaRosa (Staff Attorney)

Jerry Lowe (Staff Investigator)
